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Restructuring of Electricity Sector in Sri Lanka

**MASTER OF BUSINESS ADMINISTRATION
IN
MANAGEMENT OF TECHNOLOGY**



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December 2005

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Restructuring of Electricity Sector in Sri Lanka

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The Dissertation was submitted to the Department of Management of Technology of the University of Moratuwa in partial fulfillment of the requirement for the Degree of Master of Business Administration.

Department of Management of Technology
University of Moratuwa
December 2005

DECLARATION

" I certify that this thesis does not incorporate without acknowledgement any material previously submitted for a degree or diploma in any University to the best of my knowledge and belief it does not contain any material previously published, written or orally communicated by another person or myself except where due reference is made in the text. I also hereby give consent for my dissertation, if accepted, to be made available for photocopying and for interlibrary loans, and for the title and summary to be made available to outside organizations"

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ABSTRACT

Traditionally electricity industry was considered as a natural monopoly, all functions of generation, transmission and distribution of electricity interconnected together and vertically integrated. But it can be separated the transportation from the thing being transported; electric energy as a product and transmission and distribution as services. This will introduce competition and choice to the industry. In general, by introducing restructuring, it is expected to bring about lower energy price and lower capital expenditure for governments.

Some countries have already achieved successful results by restructuring the electricity sector but some have come across various problems and difficulties. The aim of this project is to study the restructuring process of the electricity sector in detail and to suggest a suitable model for Sri Lanka. In order to achieve this different industry structures and regulatory framework for the electricity sector have been analysed.

Also experience in different countries and various other factor to be considered in restructuring have been discussed. By critically analysing the present position in the electricity industry in Sri Lanka, important factors to be considered in the process of restructuring the electricity sector have been identified. Presently there are three options available for the Electricity sector of Sri Lanka as present Monopoly structure, Single Buyer model and structured Business units under one holding company. The challenges of the electricity sector have been analysed under each options. Finally a suitable model for Sri Lanka has been suggested. This project has been conducted mainly using the published material information accessible in the environment and interviews with the resource personal in the electricity sector of Sri Lanka.

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